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Farm Loan Banks running up to two years and secured by the notes and collateral representing the loans made out of the fund.

Mr. Sydney Anderson, chairman of the Joint Congressional Commission of Agricultural Inquiry, believes the present banking machinery can be adjusted to meet the need for agricultural credit running from six months to three years. He would permit all existing financial institutions dealing directly with the public to make loans to farmers for periods of six months to three years, and to rediscount the paper with the Federal Farm Loan Banks or to act directly as the agent of the Land Banks in making these loans. The farm paper endorsed by the bank taking it to the Federal Land Bank would be made the basis of short-time debentures which would be sold to the investment public as farm bonds now are sold. He would authorize the Federal Land Bank to rediscount any of this paper with the Federal Reserve Bank when it had reached a maturity under six months, and also to buy and sell the debentures of the Federal Land Banks.

Through some such expansion or modification of the Federal Farm Loan System, rather than by the creation of a new type of institution, the urgent needs of agriculture for intermediate credit will probably be evolved.

DISCUSSION: E. S. BAYARD, EDITOR,

THE NATIONAL STOCKMAN AND FARMER.

I regret that I can't discuss Dr. Holdsworth's paper as it should be discussed, because I have not had an opportunity to see it, which is not his fault. But I agree with about all of it, so there is little chance for any argument. I don't know, but doubt, whether to provide intermediate credits we should resort to the land banks, as I understand him to suggest.

There are a few things that we should remember in discussing this problem, and perhaps you should remember that an editor is naturally better situated to discuss credit than cash. We should all remember that action and reaction are equal, but in opposite directions. We have had our action in the form of expansion of prices and credits throughout the business fabric. We now have our reaction, contraction of prices and credits. I have never seen, nor do I expect to see, any period of reaction in which credits will be called adequate for any class of business by those who are engaged in that business or in business dependent thereon or in sympathy therewith. For the expansion of one business era is such that the contraction of the other, even if far less in volume than the expansion, is sure to be rated as

a period of inadequate credits. There is no escape from such a situation; there can be none without continuing credits on the expanded basis, a basis not justified by prices or other business conditions, therefore a financial impossibility. Such a policy, if attempted, would merely and inevitably result in greater financial calamity than results from contraction, which is the only possible corrective, though a mighty unpleasant one to take.

It is certain that, taking the country over, the present credit needs of agriculture are not being adequately met. It is also certain that there is no possible way to meet them without inviting greater trouble than we now suffer. Let us remember that we are suffering from too much credit earlier as well as from too little now.

In discussing the credit needs of agriculture we must not take as our measuring stick abnormal current conditions. Nor must we go back to the period when agriculture needed and used little bank or other credit. We must rather look to some future time when, with all permanent and no emergency credit agencies in operation, we may gauge the usual or unusual need of agricultural credit and the means of meeting that need.

In modern business credit is most needed, and the basis for it is narrowest, in regions of comparatively recent development. Usually credit is least needed, and the basis for it broadest, in older territory. This is true of agriculture in spite of all we may say about the lack of profit in that industry. For in the course of time the older civilization accumulates wealth, part of which in the form of money is available to borrowers. In these older regions also business is less speculative and more stable, a condition which always attracts money, proverbially timid. And we must say in passing that the wealth of the older civilization has not been accumulated by losses.

So we come to have, as now, two entirely different conditions as to credit. We have, in a broad expanse of territory, a demand for more credit than there is or in the nature of things can be. And we have in another region less demand for credit than could be easily satisfied. The farmer of one region wants and needs more credit than he can get. The farmer in the other region does not utilize the credit already available to him. Some of our eastern banks which are ready to help agriculture find more difficulty in getting farmers to use credit for productive purposes than they find in supplying the demand for credit. These diverse conditions make it impossible to generalize about agricultural credits.

One thing needful in all our consideration of agricultural credit is

to understand what credit is, how it may be built up, and how it may be used with profit. Many farmers do not attempt to establish their credit or to nurture it to man's size. Many do not ask it of credit institutions, but go to other lenders, and thereby fail to establish credit that will be ready when and as they need it. Many who could now get credit do not ask for it because they think it will be denied them. These characteristics are not confined to farmers, they are common to all, as we all know by experience and observation. One of the things that you gentlemen as educators should teach is the proper way to found, nurture, and maintain credit through credit institutions, for it may mean business salvation some day and should not be neglected any more than other salvation.

One extraneous point I would bring forward here for the consideration of you who are concerned in the economics of agriculture. It is that those younger business men, who have had not more than seven years of experience, have had no experience with what we are accustomed to call normal conditions, though nobody knows precisely what "normal" is. Since the middle of 1914 conditions have been abnormal, they are now so, and will be so for a long time to come. The older and younger men among you may find a better basis of understanding if this point is kept in mind.

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J. I. FALCONER.